EXHIBIT 1

Bloomberg.com

IMS Health to Announce Third-Quarter Results, Conduct Analyst

Conference Call on October 17

NORWALK, Conn.--(BUSINESS WIRE)--October 09, 2007 IMS Health (NYSE: RX), the world's leading provider of market intelligence to the pharmaceutical and healthcare industries, plans to announce third-quarter financial results after the market closes on Wednesday, October 17, 2007. Executive management will review the company's performance during a conference call with analysts at 5:00 p.m. ET on October 17.

```
     Participants may access the call via the following
                  telephone numbers:

           1-800 952 6697 (U.S. and Canada)
           1-212 231 2939 (International)

      A replay will be available beginning at 7:30 p.m. ET
   on October 17 until 7:30 p.m. ET on October 24 by dialing:

           1-800 633 8284 (U.S. and Canada)
           1-402 977 9140 (International)
           Reservation number to access playback: 21351004
```

To listen to a live Webcast of the conference call, go to **http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=** 67124&eventID=1659152. (Due to its length, this URL may need to be copied/pasted into your Internet browser's address field. Remove the extra space if one exists.) A replay of the presentation will be available at the site for seven days following the call.

A copy of IMS's earnings news release, and any other financial and statistical information presented during the analyst conference call, will be made available in the "Investors" area of IMS's website at **http://www.imshealth.com** .

Operating in more than 100 countries, IMS Health is the world's leading provider of market intelligence to the pharmaceutical and healthcare industries. With $2.0 billion in 2006 revenue and more than 50 years of industry experience, IMS offers leading-edge market intelligence products and services that are integral to clients' day-to-day operations, including portfolio optimization capabilities; launch and brand management solutions; sales force effectiveness innovations; managed care and over-the-counter offerings; and consulting and services solutions that improve ROI and the delivery of quality healthcare worldwide. Additional information is available at **http://www.imshealth.com** .

CONTACT: IMS Health Darcie Peck Investor Relations 203-845-5237 **dpeck@imshealth.com**

-0- Oct/09/2007 19:10 GMT

Last Updated: October 9, 2007 15:10 EDT

©2007 BLOOMBERG L.P. ALL RIGHTS RESERVED. Terms of Service | Privacy Policy | Trademarks

Financial News

Press Release Source: IMS Health

IMS Health to Announce Third-Quarter Results, Conduct Analyst Conference Call on October 17

Tuesday October 9, 3:10 pm ET

NORWALK, Conn.--(BUSINESS WIRE)--IMS Health (NYSE: RX - News), the world's leading provider of market intelligence to the pharmaceutical and healthcare industries, plans to announce third-quarter financial results after the market closes on Wednesday, October 17, 2007. Executive management will review the company's performance during a conference call with analysts at 5:00 p.m. ET on October 17.

```
     Participants may access the call via the following
                   telephone numbers:

          1-800 952 6697 (U.S. and Canada)
          1-212 231 2939 (International)

      A replay will be available beginning at 7:30 p.m. ET
   on October 17 until 7:30 p.m. ET on October 24 by dialing:

          1-800 633 8284 (U.S. and Canada)
          1-402 977 9140 (International)
          Reservation number to access playback: 21351004
```

To listen to a live Webcast of the conference call, go to http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c= 67124&eventID=1659152. (Due to its length, this URL may need to be copied/pasted into your Internet browser's address field. Remove the extra space if one exists.) A replay of the presentation will be available at the site for seven days following the call.

A copy of IMS's earnings news release, and any other financial and statistical information presented during the analyst conference call, will be made available in the "Investors" area of IMS's website at http://www.imshealth.com.

Operating in more than 100 countries, IMS Health is the world's leading provider of market intelligence to the pharmaceutical and healthcare industries. With $2.0 billion in 2006 revenue and more than 50 years of industry experience, IMS offers leading-edge market intelligence products and services that are integral to clients' day-to-day operations, including portfolio optimization capabilities; launch and brand management solutions; sales force effectiveness innovations; managed care and over-the-counter offerings; and consulting and services solutions that improve ROI and the delivery of quality healthcare worldwide. Additional information is available at http://www.imshealth.com.

Contact:

IMS Health
Darcie Peck
Investor Relations
203-845-5237
dpeck@imshealth.com

Source: IMS Health

Copyright © 2007 Yahoo! Inc. All rights reserved. Privacy Policy - Terms of Service - Copyright Policy - Ad Feedback
Copyright © 2007 Business Wire. All rights reserved. All the news releases provided by Business Wire are copyrighted. Any forms of copying other than an individual user's personal reference without express written permission is prohibited. Further distribution of these materials by posting, archiving in a public web site or database, or redistribution in a computer network is strictly forbidden.

October 9, 2007 3:10 PM ET

IMS Health to Announce Third-Quarter Results, Conduct Analyst Conference Call on October 17

IMS Health RX, the world's leading provider of market intelligence to the pharmaceutical and healthcare industries, plans to announce third-quarter financial results after the market closes on Wednesday, October 17, 2007. Executive management will review the company's performance during a conference call with analysts at 5:00 p.m. ET on October 17.

advertisement



```
     Participants may access the call via the following
                    telephone numbers:

          1-800 952 6697 (U.S. and Canada)
          1-212 231 2939 (International)

      A replay will be available beginning at 7:30 p.m. ET
   on October 17 until 7:30 p.m. ET on October 24 by dialing:

          1-800 633 8284 (U.S. and Canada)
          1-402 977 9140 (International)
          Reservation number to access playback: 21351004
```

To listen to a live Webcast of the conference call, go to http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c= 67124&eventID=1659152. (Due to its length, this URL may need to be copied/pasted into your Internet browser's address field. Remove the extra space if one exists.) A replay of the presentation will be available at the site for seven days following the call.

A copy of IMS's earnings news release, and any other financial and statistical information presented during the analyst conference call, will be made available in the "Investors" area of IMS's website at http://www.imshealth.com.

Operating in more than 100 countries, IMS Health is the world's leading provider of market intelligence to the pharmaceutical and healthcare industries. With $2.0 billion in 2006 revenue and more than 50 years of industry experience, IMS offers leading-edge market intelligence products and services that are integral to clients' day-to-day operations, including portfolio optimization capabilities; launch and brand management solutions; sales force effectiveness innovations; managed care and over-the-counter offerings; and consulting and services solutions that improve ROI and the delivery of quality healthcare worldwide. Additional information is available at http://www.imshealth.com. *Contact Information:* IMS Health Darcie Peck Investor Relations 203-845-5237 dpeck@imshealth.com

Copyright 2007 BusinessWire

advertisement

EXHIBIT 2

Yahoo! My Yahoo! Mail New User? Sign In Help

YAHOO! Web Search

Dow ⇩ 1.69% Nasdaq ⇩ 2.52%

Sat, Nov 10, 2007, 8:27PM ET - **U.S. Markets closed.**

GET QUOTES Symbol Lookup Finance Search

IMS Health Inc. (RX)

On Nov 9: **24.08** ⇩ 0.72 (2.90%)

$0 Stock Trades zecco.com
$0 Stock Trades at Zecco
· 10 free/month with $2,500 min
· Just $4.50 otherwise

Analyst Opinion

Get **Analyst Opinion** for: GO

RECOMMENDATION SUMMARY*

Mean Recommendation (this week):	2.7
Mean Recommendation (last week):	2.7
Change:	0.0

* (Strong Buy) 1.0 - 5.0 (Strong Sell)

Compare to Industry

PRICE TARGET SUMMARY

Mean Target:	29.22
Median Target:	29.00
High Target:	32.00
Low Target:	24.00
No. of Brokers:	9

Data provided by Thomson/First Call

ADVERTISEMENT
advertisement
Reading This Could Help Protect Your Portfolio
Are you in danger of making serious investing errors that can wreck your portfolio? Download a must-read report by 23-year *Forbes* magazine columnist Ken Fisher. It's called "**The Eight Biggest Mistakes Investors Make And How To Avoid Them.**" Read this now before problems start.
Click Here to Download Your Report!
FISHER INVESTMENTS

UPGRADES & DOWNGRADES HISTORY

Date	Research Firm	Action	From	To
22-Oct-07	Friedman Billings	Upgrade	Mkt Perform	**Outperform**
18-Oct-07	Robert W. Baird	Downgrade	Outperform	**Underperform**
2-May-07	Friedman Billings	Downgrade	Outperform	**Mkt Perform**
2-May-07	Bear Stearns	Downgrade	Outperform	**Peer Perform**
13-Feb-07	Thomas Weisel	Upgrade	Market Weight	**Overweight**
15-Nov-06	Banc of America Sec	Downgrade	Buy	**Neutral**
17-Apr-06	Banc of America Sec	Upgrade	Neutral	**Buy**
30-Jan-06	Lehman Brothers	Upgrade	Equal-weight	**Overweight**
30-Nov-05	CSFB	Initiated		**Neutral**
17-Nov-05	William Blair	Upgrade	Mkt Perform	**Outperform**

More Upgrades & Downgrades for RX

Data provided by Briefing.com - **Take a Free Trial**
Complete Live market analysis of the U.S. stock and bond markets, technology stocks, economic releases, earnings reports, and day trading highlights.

RECOMMENDATION TRENDS

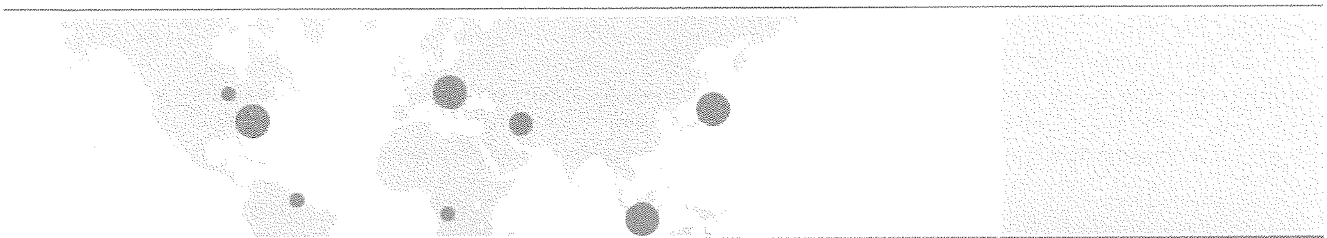
	Current Month	Last Month	Two Months Ago	Three Months Ago
Strong Buy	0	2	2	2
Buy	3	3	3	3
Hold	6	6	6	6
Sell	1	0	0	0
Strong Sell	1	0	0	0

EXHIBIT 3

»IMS websites Search GO

ims | INTELLIGENCE. APPLIED.

ABOUT US SOLUTIONS CONSULTING PARTNERS Investors Media Careers



Investor Center

» Company Information
» Press Room
Investor Center

- Stock Price Performance
- News Releases
- IMS Financials At-a-Glance
- Annual Reports
- SEC Filings
- Non-GAAP and Other Financial Measures
- Tax Cost Basis Worksheet
- Presentations & Analyst Calls
- Stock Split & Dividend History
- Upcoming Events
- Analysts
- Contact / Information Requests
- Email Alerts

» Corporate Governance
» Careers
» Privacy Commitment

Related Information

- Glance at IMS Facts
- Meet Our Leadership Team
- Learn About Our History
- Articles & Publications

Analysts

Firm	Analyst
Banc of America	Robert Willoughby
Bear Stearns	Steve Unger
Credit Suisse First Boston	Glen Santangelo
Friedman Billings Ramsey	Jim Kumpel
GARP Research	Brett Carson
Goldman Sachs	Randall Stanicky
Lehman Brothers	Larry Marsh
Raymond James	Sandy Draper
Robert W. Baird & Co. Inc.	Eric Coldwell
Thomas Weisel Partners	Steve Halper
William Blair	John Kreger

IMS Health is followed by the analysts listed above. Please note that any opinions, estimates or forecasts regarding IMS Health's performance made by these analysts are theirs alone and do not represent opinions, forecasts or predictions of IMS Health or its management. IMS Health does not by its reference above or distribution imply its endorsement of or concurrence with such information, conclusions or recommendations.

Home | Contact | Search | Site Map | Help/FAQ | Privacy
Copyright © 2006 IMS Health Incorporated. All rights reserved.

IMS Health Q3 2007 Earnings Call Transcript

posted on: October 17, 2007 | about stocks: RX

IMS Health, Inc. (RX)

Q3 2007 Earnings Call

October 17, 2007 5:00 pm ET

Executives

Darcie Peck - VP, IR

Dave Carlucci - Chairman and CEO

Gilles Pajot - COO

Leslye Katz - CFO

Analysts

Larry Marsh - Lehman Brothers

John Kreger - William Blair

Eric Coldwell - Robert W. Baird

Alex Alvarez - Goldman Sachs

James Kumpel - Friedman, Billings, Ramsey

Robert Willoughby - Banc of America

Glen Santangelo - Credit Suisse

Presentation

Operator

Good afternoon ladies and gentlemen, thank you for standing by, and welcome to the IMS Health Third Quarter 2007 Earnings Conference Call.

During the presentation, all participants will be in a listen-only mode. Afterwards, we will conduct a question-and-answer session. (Operator Instructions). As a reminder, this conference is being recorded Wednesday, October 17, 2007.

I would now like to turn the conference over to Darcie Peck, Vice President Investor Relations. Please go ahead.

Darcie Peck

Thank you, Frank. Good afternoon, and welcome to the IMS third quarter 2007 earnings conference call.

With me today are Dave Carlucci, our Chairman and Chief Executive Officer; Gilles Pajot, our Chief Operating Officer; and Leslye Katz, our Chief Financial Officer. Dave, Gilles and Leslye will discuss highlights from our third quarter results, and discuss our guidance for the full year of 2007.

As in the past, we've posted slides on our website, and I would encourage you to review these during our prepared remarks this afternoon. A question-and-answer session will then follow.

As a standard procedure, let me read our Safe Harbor provision. Certain statements we make today are forward-looking within the meaning of the U.S. Federal Securities Laws. These statements include certain projections regarding the trends in our business, future events, and future financial performance.

We would like to caution you that these statements are just predictions, and the actual events or results may differ. They can be affected by inaccurate assumptions or by known or unknown risks or uncertainties. Consequently no forward-looking statement can be guaranteed.

We call your attention to our third quarter 2007 earnings release issued earlier today, and our 2006 full year report on Form 10-K, which set forth important factors that could cause actual results to differ materially from those contained in any such forward-looking statements.

All forward-looking statements represent our views only as of the date they're made, and the company undertakes no obligation to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise.

Some of the financial measures we'll talk about today are on a non-GAAP basis. We highlight notable items in our results in order to provide more meaningful comparisons to prior year's non-GAAP results. Reconciliation to results on a US GAAP reported basis, are in our press release and in the Investor section of our website, and I encourage investors to review these materials.

Now let me turn our call over to Dave Carlucci. Dave?

Dave Carlucci

Thank you, Darcie. Good afternoon, everyone, and thanks for joining us.

IMS's results for the third quarter reflect solid gains in our US operations, and strong momentum in our consulting business. We did have more moderate growth in Europe consistent with what we saw in the second quarter.

Our total revenue was $539 million, up 12% reported and 8% constant dollar. Our operating margin was 22%, while operating income was up 1% reported and constant dollar year-over-year.

On a comparable basis, our earnings per share were $0.36, unchanged from last year. Leslye is going to take you through the details of our financial results and operating margin dynamics in a few minutes. But let me start with some perspective on what's driving our overall performance.

After ten straight quarters of double-digit growth through the first quarter of this year, we are now seeing moderating growth that reflects intensifying challenges, clients face in several countries. They are continuing to play significant value on our evidence-based capabilities in areas like portfolio strategy, pricing and market access, and promotion assessment. And this is reflected in the strong growth we are seeing in our consulting and services business. Those activities are also benefiting us in the Americas, where we continue to post double-digit gains on the strength of our significant engagements with several clients in the US. Emerging markets like China and India, also remain bright spots for us where our global offerings are contributing to double-digit growth.

Now, let me give you an overview of our business line performance through the first nine months of the year. Sales force effectiveness, our largest business line grew 9% reported and 7% constant dollar year-to-date. That performance was driven by strength in our sales and account management consulting practice. Key competitive wins in the US with our next generation prescription services and APLD offerings, and continued growth in emerging markets.

That said, we see clients continuing being cautious in their purchase decisions in local markets. And that's impacting our information and analytics business in some of our larger markets. We have introduced enhanced information offerings in those markets and our pursuing additional consulting opportunities. For example, as we roll out our precision sales force offerings worldwide, clients are increasingly turning to us for advice on restructuring an their sales forces and improving their execution.

In the area of Launch brand and other, we grew 15% reported and 11% constant dollar year-to-date. Optimizing brand value is a top priority for clients, and a key driver of the double-digit gains in both, our promotion management and pricing and market access consulting practices. Our results also reflect a lower level of acquisition activity so far this year. As we said in the second quarter, the pace of brand performance bench marking activity by clients has continued to slow in Europe, and in the third quarter we saw that in other regions as well.

Our portfolio optimization business was up 14% reported and 11% constant dollar year-to-date. We're especially pleased with the continued success of our portfolio strategy services and MIDAS offerings. These are fundamental to making portfolio decisions and understanding the impact of patent expiries.

Pharma, biotech, and more recently, generics companies are taking more systematic of an approach to their planning and strategies, and the exceptional growth of our generics clients is truly reflected by that phenomena. So, now that we have three quarters behind us, what does it tell us?

Well coming out of the second quarter; we learned a lot of about our EMEA performance. 40% of our opportunities moved out of the second quarter, and we saw a similar amount move out at the end of the third quarter.

Part of the reason for the longer sales cycles is that pharma companies are changing their models. They used operate in silos at the country level, which was not particularly efficient. And they are now taking steps to operate on a more global basis.

Senior decision makers in procurement are working to attain overall cost reductions, by selecting strategic global or regional partners. For us, this began last year at this time with our first global agreement. And since then we have completed an additional global agreement and several regional agreements primarily in EMEA.

These agreements are structured as a 'win-win' scenario, and in the short-term the incentive for our clients is cost savings, and overtime we gained access to incremental and long-term opportunities. Unfortunately, the market environment has not improved our ability to close these sell-through opportunities as quickly as we had expected.

That coupled with the fact that we are seeing across board, sales cycles have increased and the variability in our operating results will continue into the fourth quarter. As a result we expect fourth quarter revenue growth to be in the mid to low single-digits.

So now the low-end of our original full year guidance, becomes the top-end of our updated range. For 2007, we expect constant dollar revenue to be 7% to 9%, constant dollar operating income growth to be 6% to 9%, and earnings per share to be $1.52 to $1.56.

With that as a backdrop, Gilles will provide some additional insights to our regional results and describe the actions we're taking to enhance our performance in the current environment. Gilles?

Gilles Pajot

Thanks, Dave. Reflected in this updated guidance, is a possibility that our growth will continue to moderate in the fourth quarter. Over the past two quarters, we have experienced longer sales cycles of SAP information offerings in our large markets. We are taking specific action in the regions to address this.

Let me start with EMEA. In the third quarter, EMEA revenue was 10% reported and 4% constant dollar. Consulting and services is doing very well across Europe, and we expect this to continue. In Germany, we told you in July, that we had modified or SAP offerings, to comply with new [SK] reform legislations. Clients are adopting this, although more slowly than we would luck.

In the UK, we have launched more granular SAP offerings, and that as already lead to competitive wins in the first quarter. We are experiencing continued momentum in this market for the rest of the year. We have seen pockets of weakness in information occurrence in mid-sized market, and we are refocusing our sales specialist to pursue multi-country agreements.

In Asia Pacific, revenue growth was 7% reported and 5% constant dollar. The growth of the consulting and services, and DDD offering slowed in Japan in the third quarter. We have accelerated our plans to provide more granular information through enhanced DDD offering in Q4. And we need to get momentum in our consulting business by expanding our methodology in all practice areas.

Across the rest of the regions, we expect the good growth we have had in the next four largest markets; Australia, China, Korea and India to continue.

Going forward, we will see more pioneer opportunities in those markets. We have recently launched our initial DDD offering in China and India. The American regions posted another strong quarter, with a revenue growth of 14% on a reported basis and 13% constant dollar.

The success of our SAP and MIDAS offering across a broader spectrum of client segments drove solid results in the U.S. or Pfizer win in SAP contributing to growth in the quarter, as we delivered information that will help them implement their new sales processes in [2008].

We also are realizing the benefits of new offerings tailored to the managed market space and for generic clients. Last quarter we talked about some key wins we are having with our anonymized patient level data offerings, but we would continue to look for those wins as clients buy additional information to gain deeper patient inside across more [therapy] areas.

And in consulting and services, growth in the third quarter was 36% reported, and 31% constant dollar. We are building scale in our mid-size and emerging markets as we expand the methodologies into more countries.

Utilization is better. Our new alliance with our north-shore provider of analytical services will give us added flexibility and more variable construction. We are spending a already new gross rate and our gross margin is high.

As I look at our performance in the third quarter and the gross challenge we face in fourth, I am confident that we are putting the right actions in place to drive gross and improve our execution. First, we are taking action to grow our information metrics where we'll redirect our sales resources to drive growth in this small complex environment. That includes the roll out of MIDAS market segmentation in new countries.

DDD services in emerging markets and approval [for six] in Japan and mid-size markets in Europe. And we will accelerate demand of weekly exponents in the US, an increased adoption of our patient's (inaudible) for APLD offerings in the US and major markets in Europe.

Next, our consulting business is performing very well, but we can accelerate momentum to shorten sales cycle, we are focusing our senior consulting principles on accelerating closure on the largest engagements. There are 97 significant proposals we are pursuing with clients.

Third, to accelerate the growth in markets by healthcare reforms have impacted us the most. We have to transition the client to new offering, specifically, we are really providing sex specialist to drive DDD A+ in Japan and on house asset deal for in Germany, and client win backs in the UK.

Finally, as Dave mentioned, we will continue to focus on completing prepaid supplier agreements with our largest global customs. Yes, we do have challenges, but we have relevant offerings. We are executing well in many areas, and adjusting in houses to respond to the current environment.

Now I will turn the call over to Leslye, who will take you through the details of our third quarter financials.

Leslye Katz

Thanks Gilles, and good afternoon everyone. This afternoon I'd like to cover our Q3 results including dynamics behind our operating income and EPS performance, and then give you my perspective on the update to our full year guidance. For the third quarter, revenue was $539 million up 12% as reported, and 8% on a constant dollar basis. As in the previous two quarters, there is several percentage point gap between reported and constant dollar revenue growth as a result of the weaker dollar.

As you heard from Gilles, we had a mixed revenue performance in the quarter; consulting and services revenue growth was excellent across all practice areas. In addition, gross margins improved 460 basis points versus last year, and 110 basis points sequentially versus the second quarter, primarily due to utilization impairments.

We also continue to build out our consulting capabilities geographically and across practice areas. Information and analytics revenue growth was 6% reported, 3% constant dollar. This growth has been declining for the last three quarters primarily driven by weaker performance in several European markets. Given an I&A revenue, was almost 80% of our total revenue and its fixed cost structure. Revenue growth at this level adversely affects operating income growth and margins.

Operating Income in the quarter was $117 million, up 1% on a reported and constant dollar basis versus Q3 '06. In the third quarter, our reported operating margins decline 30 basis points versus last quarter, and 220 basis points versus last year.

Foreign exchange continues to have an impact on our reported operating margins. Of the 220 basis point year-over-year decline 50 basis points are due to foreign exchange. Net interest expense in the quarter was $8 million down approximately $1 million from last year. As we saw last quarter, this was due to lower interest rates or results of diversifying our debt structure into low interest rate jurisdictions such as Japan. Other expense net in the quarter was $9 million; this is $8.5 million more than last year and primarily due to foreign exchange hedge losses this year, compared with hedge gains last year.

Last year in our adjusted results, we phased these hedge gains and losses to better match to quarterly timing of our operating income. On a comparable basis this quarter, about $3 million would have been phased to the fourth quarter. This is equivalent to one penny of EPS.

GAAP net income in the third quarter includes a tax charge of $7.5 million, the results of German Tax Reform Act that was enacted in late August. This law reduces our affected tax rate in Germany from 40% to 32%. However, we've had to revalue our net deferred tax assets on the balance sheet, and recognize a tax charge in the third quarter. Statutory tax rate changes such as this, cannot be anticipated and none were assumed in our full year EPS guidance. This had a $0.04 impact on EPS in the quarter. Excluding this impact, we are still projecting a 31% effective tax rate for the year.

GAAP net income in the quarter including the $7.5 million tax charge was $57 million, down $12 million or 18% from Q3 last year. GAAP EPS was $0.29, compared to $0.34 in Q3, '06.

In the note section of our press release, we've detailed the notable items that were included in our GAAP net income and EPS in the third quarter this year and last year.

In summary, our Q3, '07 GAAP EPS of $0.29 was reduced by $0.04 for the German tax charge; $0.01 for hedge losses, that would have been phased in to the next quarter; and $0.02 for tax benefit, that would have been phased into the third quarter.

On a comparable basis, Q3, 2007 EPS would have been $0.36 flat versus the $0.36 non-GAAP adjusted EPS in Q3 last year. This is the EPS comparison that Dave referenced earlier.

We continued our share repurchase program in the third quarter, and bought back 2 million shares for a total of $59 million. This brings our total share repurchases for the year to 13.2 million shares at a total cost of $393 million.

Actual shares outstanding at September 30 totaled a $194 million, and there are $3 million shares remaining on our current Board authorization. Weighted average diluted shares outstanding for the third quarter were $198.4 million. Preliminary free cash flow was $19 million in the third quarter, bringing year-to-date free cash flow to $110 million.

This was a very disappointing quarter for free cash flow, primarily due to the increase in the DSO this quarter to 71 days. DSO was up 11 days from last year and up 5 days sequentially, from Q2, 2007. Improvements in some of our regions were more than offset by the higher DSO in EMEA, largely the result of closing larger transactions in late September.

Our focus remains intense on driving DSO improvement, but it is unlikely DSO will return to last year's level by year-end. This has a significant effect on our full year cash flow guidance, which we are updating today to $195 million to $230 million.

The majority of this reduction in free cash flow is DSO related. It also reflects our updated income range, and CapEx for several facility relocations all of which hit this year.

Cash and equivalents totaled $196 million, and debt totaled just under $1.2 billion as of September 30, 2007.

Turning to our year-to-date result. IMS revenue was $1.6 billion up 12% reported and 9% constant dollar. Year-to-date operating income were $346 million, up 9% reported and on a constant dollar basis.

Excluding the VNU merger-related charge from Q2 last year; year-to-date operating income growth was 7% constant dollar. Operating margin year-to-date was 21.8% versus 22.5% last year, down 70 basis points.

Excluding the merger-related charge from last year, year-to-date operating margin declined 110 basis points, 70 basis points of which are due to foreign exchange. Year-to-date GAAP EPS was $1.08, down $0.12 or 10% from the first nine months of last year.

On a comparable basis, as outlined in the notes to our press release, year-to-date EPS would be a $1.10, up $0.09 or 9% versus last year's non-GAAP adjusted EPS of a $1.01.

Looking to the balance of the year, we still believe we can achieve the low-end of our original guidance range for revenue and EPS. We expect C&S revenue growth to remain strong. However, given the market challenges our clients face, the elongated sales cycle and the variability of our performance in several major markets, it is also possible that I&A revenue growth might decline. We have taken a conservative approach, and updated our full guidance.

As Dave said, for this year, we now expect constant dollar revenue growth to be 7% to 9%, constant dollar operating income growth to be 6% to 9%, and earnings per share to be $1.52 to $1.56. This EPS guidance does not include the $0.04 impact from the German tax rate change.

With three quarters of actual results in hand, these may seem to imply very wide Q4 ranges. But the fourth quarter is historically our largest quarter and this revenue range equates to as little as $20 million of variability. From an EPS standpoint, only $3 million of operating income equates to a penny.

Based on this outlook, we are aggressively reassessing our existing cost and expense structure. We are taking action in the following areas. We are expanding our use of outsourcing in our production and development functions. We have begun an off-shoring initiative for some of C&S delivery resources, which will reduce overall cost, and increase the variable portion of our C&S cost structure. We have started global procurement initiative which will yield cost savings in 2008. And we have taken immediate action to limit hiring and to reduce discretionary expense.

Two successive quarters of 8% revenue growth and operating income growth lagging behind revenue growth were not what we anticipated when we started at this year. As a result, we have modified our guidance to reflect the possibility that we will not achieve our original guidance range. But our goals remain unchanged, we remain confident that our strategy is sound, and we are committed to margin expansion.

Our 2008 planning process will address, bringing our cost expense structure in line with our revenue growth expectations. And we will share our plans with you and we provide 2008 guidance at the end of January.

Now let me turn the call back to Dave.

Dave Carlucci

Thanks Leslye. We are realizing that market pressures continue to intensify. Gilles and I have met with the leadership of many of our largest clients over the past several months in Asia, Europe and the United States. The dialog is centered on their business challenges and opportunities, but when we turned to a discussion of IMS, they are telling us that we are investing in the right areas, and that we have built the right capabilities to help them.

We also heard that the confluence of market events that we talked about this afternoon is complicating their decision-making. We said that, that has led to elongated sale cycles for our teams.

Well, I am disappointed in the effectiveness of our response to changing market conditions I remain confident in our strategy. We are the market leader, we have a very diverse business, and we are significantly differentiated in marketplace. Our breadth of capability makes us increasingly relevant to clients in this environment, and our ability to respond to their needs is stronger than it's ever been.

So with that, why don't we open an upright away to your questions? Thanks.

Question-and-Answer Session

Operator

Thank you. (Operators Instructions) Our first question comes from the line of Larry Marsh with Lehman Brothers. Please proceed, sir.

Larry Marsh - Lehman Brothers

Thanks and good afternoon. I guess, I'd like for you to elaborate, if you could about what seems to be a bit of certainly a surprise that you addressed a little bit at the end of this second quarter, it's obvious it got worst, and it seems like it's centered mainly in EMEA. I guess, if you could, if you try to triangulate how much of this was totally outside of almost anything you could have predicted, and how much would you constructively criticize your own organization, not really being on top of some of the changes in the market place, especially when you talk about healthcare reform, because it strikes me that some of this could have been anticipated or not? I just wanted to maybe get you to elaborate on that, and is that, while I think about this, this is really all an EMEA disappointment.

Dave Carlucci

Yeah Larry, I think, I really do think it is a confluence of the Benson, I think on the healthcare reform issue we actually couldn't have anticipated it much better than we did. We were very involved in those discussions over a protracted period time in Germany, but as you know those legislative decisions happen at the very end, on what's in and what's out. And as a result, we did have to adjust our offerings as I told you, and we did that pretty rapidly in terms of the data design.

The fact of the matter is, is the requirement was to bring capability and resource in, to couple it with consulting capabilities to be able to get a level of insight for the client that was frankly anywhere near what they got from just the straight data assets we provided for them in the past. That said, I think the criticism that could come on the up-tick here was that, we were probably overly optimistic that we could turn this situation faster, and that the clients would respond in a more aggressive fashion to the changing environment.

I also mentioned that we have been looking at and doing these -- few of these global and regional transactions in EMEA which we also felt opened up a wealth of added opportunity and that we have the capabilities to sell through a broader range of offerings as we provided a more attractive proposition for them in their existing base business with us. And the fact that sale cycles have slowed down, as a result of a lot of stuff we covered on the second quarter call, product withdrawals, drug safety issues, the magnitude of the generic events.

Even though you see the generic events coming, the falloff in some of these countries is becoming much swifter, more in line with the kinds of falloff we're seeing in the United States by generics. So, I would say that, the team suffered a little bit from over optimism and confidence on their ability to sell through, and that we have hit a number of challenges in predicting based on historical pipeline measures, what will be able to turn that into in terms of our performance.

And I think some of that phenomenon has shown some choppiness in other parts of the world. We saw choppiness in Japan, where we had seen a very weak first quarter, a very strong second quarter, and a very weak third quarter.

So, I am the last one to pin it on the industry's woes for us not being successful, but I would say there are a number factors here, and obviously we are looking very closely at what we need to do in Europe not only get the sales engine on track, but to leverage a very healthy consulting and services foundation and performance, and to obviously look at all of the cost in expense elements that go along with investing in the business as we have.

Larry Marsh - Lehman Brothers

Okay. And then just to elaborate. Obviously the one new relationship you highlighted in the second quarter was Pfizer, and you communicated today that it was a contributor in your C&S business as you anticipate the roll-out of the contract relationship at the beginning of '08.

Your consulting business was very strong, is there anyway to quantify even generally how much of a benefit you got from that new relationship?

Dave Carlucci

Well, we don't really give you client level information, but I would make a correction on that. We had one of the exponent business there which is a data and information piece, that was reflected part impart in our US results in the third quarter.

So it relates to NGPS, our ability to win that weekly business, and our ability to begin shipping data to the client. But that was not reflected in the consulting and services piece.

Larry Marsh - Lehman Brothers

Okay. I am sorry, so there was no real contribution from that particular relationship and consulting and services.

Dave Carlucci

Correct, as it relates to that win.

Larry Marsh - Lehman Brothers

Got it. Okay. And then just finally, if I could get maybe the elaboration on a cash flow from Leslye. Another disappointing phenomenon as you just talked about, there's a ballooning of DSOs, and was there anything more specific that you can elaborate on there? In your business these days, does a delayed selling cycle result in an immediate benefit, a boost in DSOs? We certainly didn't see that in the second quarter. Maybe just clarify that a bit.

Leslye Katz

Right, we are definitely, Larry, seeing a lot of our business closing later in the quarter. We saw that in the third quarter particularly in the EMEA region, or a lot of the elongated sales cycles, when we were able to bring them to fruition in the quarter or came in very close to the end of the quarter.

And we are going to focus extremely hard. My team is very committed to turning this around, but it is having a material impact on us.

Larry Marsh - Lehman Brothers

Right. And are you characterizing this as, what you think is a short term phenomenon or is it something that could continue to impact you in to '08.

Leslye Katz

I definitely think it's a phenomenon that's going to continue to impact us in '07. I am not ready yet to comment on '08, we've not got our planning done for '08. But I believe we'll make improvement in this in the fourth quarter of '07, but I don't think we are going to get back to last year's DSO by the end of the year.

Larry Marsh - Lehman Brothers

Right. Okay. Thank you.

Operator

Our next question comes from the line of, John Kreger with William Blair. Please go ahead, sir.

John Kreger - William Blair

Thanks very much. Just a follow-up on a Larry's last question. Leslye are you seeing any changes in terms that you are granting that would explain part of the stretching out of DSOs, or is it really just the timing of the contracts getting signed?

Leslye Katz

Certainly we are working with our clients, when we work on these large global or regional transactions. There is a lot of give and take, and we may be willing in a couple -- we have been willing in a couple of these cases with these large transactions to grant a little bit of an extension in our payment terms. But that's not really the biggest factor here; the biggest here is seeing more of the business coming in late in the quarter.

John Kreger - William Blair

Okay. And then Dave you talked about the fact that Japan weakened in the third quarter versus the second. What did you see in the UK and Germany; I believe those were two markets that you highlighted as showing some softness in Q2. Did those get better, worse or stay the same in third quarter?

Dave Carlucci

I would characterize them as getting better, but not fast enough. And as we look into the fourth quarter where we continue to see the opportunity to see it accelerate. But it's clear to us that it's not on the trajectory that it will be significant to the degree that we planned 2007.

So, improvement we haven't disappointed at all in our competitive record, but certainly the uptick of the new offerings are not what we had anticipated. So we did see an improvement in the third over the second, but it was marginal.

John Kreger - William Blair

Okay. Thank you. And then one final question, IMS is certainly used to operating in very tough pharmaceutical industry environments if you look back over the last three or four years. What is it that you think is different about this environment that as you said has caused a real revenue slowdown versus the last 10 quarters or so?

Dave Carlucci

And you are right John, we have been consistent in saying that these kinds of issues create opportunities for us, and I sincerely believe they do. But, at least in the five years I've been here, I haven't seen this level of uncertainty and delays in reevaluating in some of our very largest clients, their plans to move forward.

So we are in a little bit of a planning versus buying mode. And I believe that the new offerings that we have in place, the investments we've made in the therapy areas, in areas that are focused on specialty drugs, and on the efforts that we put in place to put intelligence around these new assets with our consulting teams will absolutely pay off for us.

But it is the really serious activities that have slowed a number of players down. And if I thought it was strictly an EMEA phenomenon, I would outline it that way. We have seen it manifest itself pretty heavily in EMEA. But we are seeing it in other parts of the business.

And what is different is a lot of the decisions that are being worked on, we are participating in after headquarters level, but there is a lot of pressure from headquarters in these companies on the local countries to reduce their spending or to slow down, until they reevaluate their path.

And although, it's hard to predict what the outcome of that is, I am quite confident that this is choppiness not a long-term trend.

John Kreger - William Blair

Great, thanks very much.

Operator

Our next question comes from the line of Eric Coldwell with Robert W. Baird. Please go ahead with your question, sir.

Eric Coldwell - Robert W. Baird

Thanks very much, can you hear me?

Dave Carlucci

Yes.

Eric Coldwell - Robert W. Baird

Yeah, great. I was hoping that we could get a quantification of the impact of M&A on the constant dollar sales growth in the quarter. I know it was decided that it's one of the reasons for the lower constant dollar growth?

Leslye Katz

About two points contribution to revenue growth in the quarter.

Eric Coldwell - Robert W. Baird

Two points from M&A.

Leslye Katz

Right. From acquisitions we made in the last year.

Eric Coldwell - Robert W. Baird

Okay. And then my second question is, there was the launch of the global Oncology Analyzer in May. I believe it was, and there were some signs of uptake in the last quarterly report. I am hoping we can get an update on that, because I think that does speak to some of the newer specialty lines that you are rolling now in some of the new offerings there?

Gilles Pajot

As you know, we were delayed in launching that. I think we launched it by the end of May. We have signed a few contracts on that. However, I think we still are a little bit slower than we anticipated. I think the prospects looks good, with again the sales cycle are a little bit longer.

Eric Coldwell - Robert W. Baird

My third question relates to Pfizer, and I know you are not going to quantify the exact impact on 3Q, but the question relates to the amount of opportunity that you saw hitting in totality in the second half of 2007. How much of that opportunity was

recognized in 3Q, and how much remains as an incremental opportunity in 4Q?

Leslye Katz

We saw that opportunity in Q3, we delivered data to them that they are using now and they are planning for 2008, as they are going live with their applications in 2008. And we continue to see a very strong pipeline of other opportunities all across our business for Pfizer, but this particular impact was in Q3?

Eric Coldwell - Robert W. Baird

Okay. Thank you.

Operator

Thank you. Our next question comes from the line of Alex Alvarez with Goldman Sachs. Please go ahead, sir.

Alex Alvarez - Goldman Sachs

Hi thanks for taking the question. Leslye just wanted to get some color from you, in terms of how this slowdown in revenues is going to impact some of the margin improvements that you were hoping to get again long term?

And then as a related question you had mentioned some of the steps you are planning to take, how to control expenses. Are these initiatives that were prompted by some of the issues that have surfaced here in the couple of quarters, or are these part of your plan again to improve margins over the next several years?

Leslye Katz

Let me take the first one, and then I will try to answer the second one as well as Alex. Certainly we remain committed to margin improvement. So that remains unchanged. I think that the factors that we identified as the potential drivers of margin improvement, those remain the same factors that we will look to achieve margin improvement.

Some of the elements that we put in place right now as we see this slowdown in revenue over the last two quarters, it's certainly going to help us achieve that longer term as well as we look to offshore, for example, more of our production and development, that continues to be something that we think will help drive long-term margin improvement.

Also longer term, I think we would like to introduce more variability into our cost structure. As we saw in these last two quarters, we don't have a lot of short-term variability, but longer term there is more off shoring with the initiative on C&S.

I think we'll see that happen. We saw margin improvement in C&S in the quarter, and that remains one of the key drivers for us in terms of achieving our overall margin improvement. We saw that on the gross margin lines, but we do continue to invest in our C&S capabilities. So the drivers are there and we remain committed to margin improvements.

Alex Alvarez - Goldman Sachs

Alright, thanks. And just one other question; in terms of some of the comments that have already been provided, I just wanted to get a sense of whether this slowdown is having any kind of impact in the Americas region which sort of remains one bright spot for the company, and based on conversations with customers, what sort of would be your assessment of the risk that this slowdown could eventually spread to the Americas as well?

Dave Carlucci

Yeah, I think we are seeing good strength in the United States. Canada is a little softer, and Latin America is a little softer. I do think that the United States benefits a little bit by some of our acquisition activity, that has been heavier in the last year and a half in the US, and we continue to see good strength in our consulting and services business.

As we look at some of the areas of information spending on the part of the client, we are watching very closely, whether we think that's going to be impacted because we have seen a precipitous drop in the US from a shipment point of view of pharmaceuticals. So, we've never had a direct correlation of that. But when you go from a little over 8% in January of pharma industry growth in the US to 2.6% at the end of June, we saw that move up to about 4% in July, and August was back down a little bit. We are watching it extremely closely.

We've also had some innovation in the United States around NGPS which we still think we have a lot of opportunity to get customers over from monthly to weekly, and we have the opportunity to continue to accelerate the APLD pieces of our business. And certainly we are engaged at the headquarters level very actively and about half of the top global pharmaceutical companies are headquartered in the United States. So, I think it's a very good question Alex, because we are seeing some things happen around us, but at this point the US appears to continue strong.

Alex Alvarez - Goldman Sachs

Okay. Thank you. I appreciate the color.

Operator

Our next question comes from the line of Robert Willoughby, Banc of America. Please go ahead with your question sir

Robert Willoughby - Banc of America

Thank you. Leslye, do you actually have the deal spending to what it was in the quarter, the actual M&A spending. And then just second, I know you are not anxious to comment on '08 at this point, but I guess some of these issues appear to have a bit of a longer tail on them. So is it just a safe assumption to keep first half expectations for next year kind of a bit lower than the second half expectations?

Leslye Katz

Well, we've spent about $17 million year-to-date on acquisitions. And again, to be handed, Bob, we are not going to give '08's guidance yet, we are not finished with our '08 budget yet, and therefore we really can't provide it. We will provide when we provide our year end results in January.

Robert Willoughby - Banc of America

I have payments on acquisitions through six months of $22 million, am I misreading the second quarter number? Or should it be bigger number than 17?

Leslye Katz

Some of the payments that show up on the cash flow statement relate to earn outs on prior period acquisitions. So the new businesses that we've purchased through the three months we have made by the acquisition, there small ones obviously had a purchase price of $17 million.

Robert Willoughby - Banc of America

Okay. Any early read on what that line item in the 10-Q would say, the aggregate number?

Leslye Katz

Let me check that, and I'll try to answer that little later in the call if I can.

Robert Willoughby - Banc of America

Okay. Thank you, and just the CapEx number. You had indicated there were some one-time items. Can you detail exactly what those were?

Leslye Katz

We had several large facility relocations this year, and we did our best to estimate exactly how that would all sort out in the year. But it does make a pretty significant year-over-year difference. We certainly expect next year to have something more historical and all likely. So all over again, I can't really you give you guidance on that.

Robert Willoughby - Banc of America

But the drivers behind the cash flow, the free cash flow revision here, I mean, it should have been less, the CapEx number right.

That was planned; and it was just DSO in the lower earnings guidance?

Leslye Katz

Those are the biggest drivers.

Robert Willoughby - Banc of America

Okay, CapEx is in line with your expectation.

Leslye Katz

Yes.

Robert Willoughby - Banc of America

Thank you.

Operator

Our next question comes from the line of Glen Santangelo with Credit Suisse. Please go ahead sir with your questions.

Glen Santangelo - Credit Suisse

A quick follow up to some of the comments you made during your prepared remarks. I mean, last quarter we clearly talked about some of the regulatory issues in Germany, I think even the UK. But this quarter, it sounds like you talking about a whole new issue around some of the bigger pharma companies that used to operate in silos that are now taking a more of the global approach. How does that issue not sort of spill over into the other territories outside of Europe. And then, you sort of suggested that it's really just choppiness and not a long-term trend. I mean, what makes you think that this won't continue into most of 2008 and potentially even beyond?

Dave Carlucci

Let me clarify it, Glen. When we talk at the end of the second quarter, as you know, we saw this phenomenon hit late in June, and we said we had a couple of things that we absolutely knew about regarding the UK and Germany uptake. Since that period of time, we've looked underneath, what will contribute to long-term performance there and what are we seeing from an uptake point of view. But the global agreement we did a year ago was a European-based company.

The majority of the agreements that we've done on the regional basis have been EMEA based. What we were saying is that the trends we've talked about for a long time that our global footprint is a strategic advantage, and that clients are looking more and more at how they can look for more ways to do business efficiently on a Pan Region or a global basis, plays into our strengths. So, with that in mind, we work very closely with our top clients to solidify our position overtime with a much broader portfolio.

What that says, when you are dealing with them and procurement in order to have a win-win, they were looking for some advantage on the base business that they purchased from us today. And the quid pro quo is they gave us an access to a broader set of opportunities across multiple countries.

That selling activity has to take place from that point on, in those associated terms based on how successful we are. What I am saying is, as we looked at it with more than a couple weeks of analysis, we have found that those types of agreements and the expected business performance in sell-in activity have been impacted by this overall slowdown in decision-making and what we are seeing happened to our pipeline. So, it's just another dimension of what is underneath the delays in the business that we had anticipated to give.

Glen Santangelo - Credit Suisse

So David, just to kind of conclude here. As you think about the two issues, the regulatory changes and more of the globalization in fact here, which do you see was a bigger one in your mind?

Dave Carlucci

Well, we saw softness across the mid-markets, softer in the third quarter in Europe, than we had seen in the second quarter. And we saw softness in major countries with the exception of United States. So, I am suggesting that this is a continued trend at this point of seeing a slowdown and that globalization in our mind is a long-term benefit to our model, overtime we will see the benefit of this.

And the questions of when will we see the turnaround and what is overtime mean, I see this as a choppiness right now, and I don't see this as a long term trend. I see the long term opportunity as a better ability to sell through the multiple offerings that we invested in over the last few years. And so, I am very comfortable with the strategy, but your questions are very fair ones, Glen.

What are the implications, and I think the implications are, we've got to see these new businesses that we've talked about that provide significant opportunity for us to start to yield in this environment faster. We got the question on oncology earlier, we would like to see in the up tick on that faster, but it is a number of events that are kind of hitting it once that are creating this slowness.

Glen Santangelo - Credit Suisse

Okay. Thanks for the comments.

Dave Carlucci

Okay, we have a chance for one more question.

Darcie Peck

Just one more.

Operator

Thank you. Our last question comes from the line of James Kumpel, Friedman, Billings, and Ramsey. Mr. Kumpel? Mr. Kumpel, go ahead.

James Kumpel - Friedman, Billings, Ramsey

Yeah. Thanks. I just wanted to build on a question, and basically just -- if globalization is a benefit long-term and there is more centralized purchasing, isn't that going to put more pressure on pricing and on margins, and won't we just see a bigger manifestation of these extended sales cycles getting longer and longer?

Dave Carlucci

Well, Jim, we have the ability to make that decision on what of that business do we want take in, what business do we assess really has an upward opportunity for us. We are a little bit in the driver's seat on making that decision with clients.

And we honestly believe that long-term that is a huge plus for us. It's opening doors for our consulting and services business in areas where people didn't understand our capabilities fully across multiple geographies. We are getting executives sponsors within the client to be the advocates of our preferred vendor status.

But we kind of come up, we bump up against as we're ramping some of these deals up, we are coming up against this slow down, due to the events we have talked about.

So, Jim I don't think they are bad, they will if we are finding that they don't materialize as we thought in the upside, we would have to rethink that strategy. But at this point, I don't want to give up the opportunity of what we see with the breath of our offerings and the doors that this opens for us on a global basis, to take advantage of pharmaceutical companies getting more centralize in the way they make decisions.

And frankly, I think, from my discussion they all feel that, that's kind of long overdue. When businesses contract, they have to look at a different way. When there is no limit to their success, the local economy looks like it makes a lot of sense. So they are looking for every way possible to run their business more efficiently.

We offer a series of things to make them more productive, and how we package those with them is going to be very important to our ability to sustain those kinds of growth rates that we have seen historically.

So, I am not willing to give up on them at this juncture, but obviously we are going to track the ones we've done very closely, to what we had anticipated seen when we culminated those deals.

James Kumpel - Friedman, Billings, Ramsey

And I guess, if I could just conclude on this one. Leslye, since you talked about receivables being a big issue and big source of slowdown in cash flow generation in third quarter. I think that you related that to what's going on in the global trends and you are extending sales cycle etcetera.

If this in fact is a longer sales cycle overtime, if this is really a trend? What's an appropriate way of looking at your free cash flow generation capabilities, are there some other areas that you can tweak to help to continue to grow that overtime?

Leslye Katz

I think we can see improvement in our AR, so I definitely do not think we are at the level today, where we can improve upon that further. And we also continually look frankly at all the components of our cash flow, managing our payables etcetera. So, I think there are leverage there, but I am very determined that we will see improvement in the DSO, we will not be at this level long-term.

James Kumpel - Friedman, Billings, Ramsey

Very good, thank you very much.

Dave Carlucci

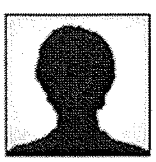
Okay. Thank you very much for your attention and your questions, and we'll talk to you after the fourth quarter. Thank you.

Operator

Thank you ladies and gentlemen; this does conclude the conference call for today. We thank you all for your participation, and ask that you please disconnect your line. Have a great day everyone.

Copyright policy: All transcripts on this site are copyright Seeking Alpha. However, we view them as an important resource for bloggers and journalists, and are excited to contribute to the democratization of financial information on the Internet. (Until now investors have had to pay thousands of dollars in subscription fees for transcripts.) So our reproduction policy is as follows: **You may quote up to 400 words of any transcript on the condition that you attribute the transcript to Seeking Alpha and either link to the original transcript or to www.SeekingAlpha.com.** All other use is prohibited.

THE INFORMATION CONTAINED HERE IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL, CONFERENCE PRESENTATION OR OTHER AUDIO PRESENTATION, AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE AUDIO PRESENTATIONS. IN NO WAY DOES SEEKING ALPHA ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S AUDIO PRESENTATION ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.



Be the first to comment on this article!

EXHIBIT 4

BusinessWeek

Close Window

JUNE 25, 2007

HEALTH

IMS Health: Where The Best Medicine Is Data

Drugmakers have come to rely on the company's inside track on the prescriptions doctors write

The BusinessWeek 50

In today's health-care world,information is power. That puts IMS Health Inc. (RX), the world's largest aggregator of prescription data, in a winning position. Big Pharma, government regulators, think tanks, and reporters all turn to IMS to find out how much of a given drug was prescribed in any week, month, or year. None of the information is linked to individual patients, but it's incredibly detailed—right down to the names of the doctors who wrote the scrips.

So it's hardly a surprise, in today's data-obsessed world, that IMS is an irresistible magnet for health-care investors. And recent events suggest it is likely to remain so. The company dodged a bullet in May when a federal judge overturned a New Hampshire law that seemed written specifically to limit its core business. The law, passed a year ago, restricted the collection of data on an individual doctor's prescribing patterns—the kind of information a pharma company loves to buy, so it can figure out just who its best and worst prescribers are, and deploy sales reps accordingly. IMS sued to block the New Hampshire law, and when a federal judge struck it down on May 1 as an infringement on freedom of speech, IMS stock hit a nine-year high of 31.60.

The shares have stayed at that level ever since, a sign investors think the steady upward march of IMS's earnings over the past three years will continue unabated. It's true that several other states are considering restrictions on prescription data gathering, and Vermont just passed a law making it a little tougher to collect such information on individual physicians. Nevertheless, industry analysts say the New Hampshire decision makes it unlikely any state will be able to mount serious opposition to IMS's business practices. "The value of what they do just keeps going up," says John Kreger, who follows IMS for investment advisers William Blair & Co. "Anytime there is a discussion about health-care reform, there is a recognition that we need more data, not less, to make smarter decisions."

DETAILS IN A HURRY

That is the firm belief of IMS Chief Executive David R. Carlucci, who says his company's prospects are not tied to the fortunes of the drug and biotech businesses that are its primary customers. Whether the pharma industry is doing well or poorly, the companies need the data. "They are always looking to become more efficient with their marketing and sales efforts," says Carlucci. "We can help them precisely focus their strategies."

IMS, in business for 53 years, gathers information on 850 million prescription sales transactions every month in 100 countries. There are no rivals with similar global reach, so it's rare that a news story on any particular drug will fail to cite IMS data. Even its ticker symbol is "RX."

IMS numbers give its customers a snapshot of the market, practically in real time. Within days of the recent *New England Journal of Medicine* report that GlaxoSmithKline (GSK) PLC's diabetes drug Avandia may increase the risk of heart attacks, Wall Street analysts were citing IMS data showing the drug's sales dropping off.

Carlucci joined IMS as chief operating officer in 2002, took over as CEO in January, 2005, and has presided over nine straight quarters of double-digit revenue growth. Revenues for 2006 grew 12%, to $1.96 billion, while earnings rose 11%, to $315.5 million. IMS also has a fast-growing pharmaceutical consulting business, having acquired seven market research companies in the past 2 1/2 years. But its biggest opportunities are overseas, Carlucci says, particularly in emerging markets in Asia. Three years ago, new markets such as China, India, Korea, and Russia contributed 13% of IMS's revenues. By 2006 that had grown to 27%.

Robert W. Baird & Co. analyst Eric Coldwell says IMS presents one of the lowest risks of any of the corporations he follows. "I am incredibly confident in this company and this management," he says. "My only concern is that I have no concerns."

By Catherine Arnst

Advertising | Special Sections | MarketPlace | Knowledge Centers

Xerox Color. It makes business sense.

Terms of Use | Privacy Notice | Ethics Code | Contact Us

The McGraw-Hill Companies

Copyright 2000- 2007 by The McGraw-Hill Companies Inc.
All rights reserved.